



WONDERWORKS TREND REPORT
SPARKLING WINE

May 2019



SPARKLING WINE; WHAT'S BUBBLING IN THE UK?

UK sales of sparkling wine hit record levels in 2018 and the category's growth shows no signs of stopping, with key changes still happening.

This month, London wine week and London wine fair invited thousands of consumers and trade experts to celebrate emerging industry trends. Sales of sparkling wine in the UK hit a record-breaking £2.2 billion in 2018 (10%YOY), making this one of the country's fastest growing drinks categories. At wonderworks, we stay curious about such exciting trends. This report analyses the performance of sub-category competitors as well as new opportunities that bubble out of category growth. The report explains why marketers should be taking note of these trends. We present 'moments of wonder' or innovative examples of strategy from brands keeping the fizz going. Finally, the report offers exclusive opinion from industry expert James Robinson, business manager at Liberty Wines.



Key take outs:

- Champagne brands are becoming increasingly more premium as sales drop in the face of new competitors.
- Alternatives such as Crémant & Cava are experiencing growth as consumers look for brands providing affordable quality with value placed on taste, heritage and production of liquid.
- Prosecco appears to be losing its seat as the nation's clear favourite fizz, but its properties and focus on occasion continue to satisfy consumer needs.
- English wine is making the strongest advances in the market, now recognised as top-quality and able to compete with sub-categories at a global level.
- Changing occasions and consumer preferences are leading to rising popularity of canned and single format sparkling wines.
- It is vital that sparkling wine brands and other stakeholders in this market remain tuned into changing consumer preferences to ride the growth wave in the choppy but rising UK market.

Special thanks to former brand manager of Pongracz; Oliver Stuart and James Robinson, Business Manager at Liberty Wines for their valuable input on this report.

Sparkling Wine: What's bubbling in the UK

Frothy waters

According to the latest Wine and Spirits Trade Association market report, the value of sparkling wine has doubled since 2013¹. This makes sparkling wine one of the country's fastest growing drinks categories; despite paying the highest amount of duty among all alcohols.

Sparkling wine is a dynamic category where traditional designations such as Champagne are up against increasingly large numbers of sparkling wines from around the world. In summary, the lion's share of the market is still taken by Prosecco, but sales of the Italian wine are falling as consumers increasingly explore different styles of sparkling wine. Rising popularity for styles such as Crémant and a sudden surge in quality recognition for English sparkling wine coincide with this changing consumer preference. Cava brands are making a play to become recognised as more premium sparkling wines and Champagne continues to position itself as synonymous with high-end luxury and premium experiences.



Champagne and premiumisation

Only sparkling wine produced using the Champagne method in the Champagne region of France can be called Champagne. Interestingly, it wasn't until the end of the 17th century that the 'méthode champenoise' was accepted as enhancing the wine's drinking experience. In this method, the wine undergoes secondary fermentation (after alcohol fermentation) inside the bottle, so the carbon dioxide sinks back into the wine. This creates the most serious bubbles and wines that can age for the longest time. The rich history, established process and quality standards have propelled Champagne to the top in the world of premium beverages.



We import more Champagne into the UK than any other country, making us a crucial trading partner for the French. However, sales of Champagne by UK retailers fell by 20% in 2017 according to Nielsen². WSTA figures show that while demand for sparkling wine is growing in the UK, it is being driven by cheaper fizz than Champagne. British shoppers purchased 24m bottles of Champagne in 2018, compared with 117m bottles of Prosecco.

As demand in Europe slows, international markets like the US, Japan and Australia are becoming more important for Champagne³. This is causing Champagne brands to position themselves as even more premium, filling the demand for high-end lifestyle experiences in order to maintain their value share.



MOMENTS OF **WONDER**

Veuve-Clicquot’s ‘widow series’ is a collection of activations which celebrate their founder, Madame/Veuve(widow) Clicquot, the world’s first female wine entrepreneur. The series of events runs from collaboration between London’s most disruptive creatives, tasked with exploring and telling the founder’s stories of using innovation to transform Clicquot Champagnes into some of the world’s most sought-after premium drinks.

MOMENTS OF **WONDER**

Moët & Chandon have spent the last two years implementing a highly selective approach to influencer marketing which helps make the brand more relatable without losing its exclusive positioning. The three-tier influencer strategy is a centralised department so all strategy can access the pre-vetted talent. Five influencers, part of a year-long

‘ambassador’ program make up the top tier, in the middle are ‘amplifiers’, contracted to widen the reach of certain campaigns throughout the year; and finally, micro-influencers ensure year-round coverage at the bottom. The brand only works with experts within their field, for example poet Cleo Wade on their valentines 2018 snapchat campaign. Moët & Chandon utilised the platform’s

ad-targeting tools to present a snapchat game which involved shooting corks at Champagne glasses to audiences interested in luxury wine & spirits. Those with highest scores won the chance to work with Wade on a personal love poem⁴.



Did you know?

Many traditional wine bottle sizes are named after Biblical kings and historical figures.

Number of litres (std 750ml bottles)	Traditional name
1.5 (2)	Magnum
4.5 (6)	Jeroboam
6 (8)	Methuselah
9 (12)	Salmanazar

Rise of Crémant

Sparkling wines designated Crémant (creamy) were originally named because their lower carbon dioxide pressures are thought to give them a creamy rather than fizzy mouthfeel. Crémants are usually produced in France, in regions outside of Champagne, but still using the méthode champenoise.

Crémant has become popular in the UK through its perception as a better value alternative to Champagne and Prosecco. Its drier taste attracts people trading up from Prosecco, and the more affordable price point appeals to Champagne drinkers. In addition, the category has a unique name which links to both the process and taste of the liquid; it is simple yet memorable.

Becky Hull, a wine buyer for Waitrose, says Crémant is proving very popular and that sales have increased several-fold. In a 2018 interview, wine experts at Marks & Spencer said: "Crémant continues to gain in popularity as customers discover its great value and quality, and sales are actually up an impressive 300% on the year."⁵

While the continued success of this sparkling wine remains to be seen, it has a lot to offer the increasingly sophisticated sparkling wine drinker attempting to bridge a gap between budget and Champagne.



Reinventing Cava

Cava is a sparkling wine from the Spanish region of Catalonia. Just like Champagne, it is made using the traditional method, with the second fermentation occurring within the bottle. This means many of the same aromatics as in Champagne (nuts, brioche and spices) can be detected. The hot, dry climate of the Penedès wine region, south-west of Barcelona causes the grapes used in Cava to ripen early which typically means no 'dosage' (the sweet liquor that rounds out sharper wines) needs adding. Cava's method of production results in more texture than Prosecco, making a wine which works with a wider selection of food.

Despite its lovely fizz, Cava's image has struggled from years of neglect and dropping prices. Cava sales in the UK are still declining, but efforts to reinvent the category are underway. In 2018, Cava's regulatory board introduced a premium category called 'Cava de Paraje Calificado'. Producers must meet strict requirements: vines must be at least 10 years old; grapes must come from a specified vineyard; grape yields are subject to restrictions; and wines must be aged for at least three years inside the bottle in Cava close to the vineyards. The ambition is to raise the bar for Cava and in doing so, fight for a larger share of the premium sparkling wine market.

Prosecco peaked?

Prosecco is made from Glera grapes, grown in the area surrounding the village of Prosecco, in Northeast Italy. It is produced using the Charmat method- meaning a large body of wine goes through second fermentation in tanks, and then the wines are bottled under pressure. Prosecco is affordably priced and designed for easy drinking, making it a great option to enliven otherwise everyday gatherings and occasions.

Prosecco has seen amazing success in the UK market, accounting for 61% of all sparkling wine sales in 2017. However, researchers are suggesting that the UK has reached 'peak prosecco' as sales only increased by 5% last year⁶. It is possible that the popularised novelty gifts expressing the nation's love for prosecco have actually been smothering it. It seems people are bored and leaving in search of something original and exciting.

Although the breakneck growth rate of Prosecco has slowed, this sparkling wine remains the default choice for most UK consumers looking for a casual glass of bubbly



Not resting on previous success, Prosecco brands are also making a push to more premium market segments. 2018 saw the launch of Prosecco House in London, offering consumers in-depth education experiences regarding the wine, and tastings in a glamorous setting. The aim is to provide UK consumers with a quality and authentic Italian sparkling wine experience, offering Prosecco from 5 Italian wineries not available anywhere else in London.



English sparkling wine - on the verge of greatness

English sparkling wine again uses the traditional Champagne method. In fact, just recently Pierre-Emmanuel Tattinger said it was the English who invented Champagne by accidentally leaving imported French wine on cold London docks, which caused them to become carbonated⁷.

Tattinger's Champagne powerhouse has recognised the opportunity for English sparkling wine for some time now, having set up vineyard 'Domaine Evremond' in Kent in 2017. The first full harvest is set to take place this year, with resulting wines expected to be released in 2023⁸. With big players like Tattinger investing time and money, the UK sparkling wine industry has serious potential.

Although the French have firmly claimed Champagne as theirs, it appears English sparkling wine can stand on its own two feet. In 2018, sparkling wine accounted for 68% of all English & Welsh wine produced and gained global recognition for its quality. For the first time in the history of The Sommelier Wine Awards, English sparkling wine receive more gold medals than Champagne.

In a further boost for English producers, the Ridgeview estate in Sussex was awarded World's Best Winemaker in the International Wine & Spirit Competition 2018, the first time the award

has gone to an English producer. Also, Cherie Spriggs, Head winemaker at Nyetimber (one of England's most pioneering producers) won Sparkling winemaker of the year at the International Wine Challenge 2018. Spriggs made history as not only the first female to win, but also the only person from outside of Champagne to win the title. There is certainly noticeable change happening within this category.

Although England's chalk soil has always been ideal for producing bubbly, the warming climate means grape harvests are better than ever. A record 15.6 million bottles were produced in 2018, after the summer's heatwave created perfect growing conditions in British vineyards. Judging by the 4m bottles of English sparkling wine sold last year (up 6% from 2017 to beat records), the UK should expect to see large market growth when 2018's stock is ready to be sold.

English produce accounts for 1% of total sparkling wine sales in the UK, however as the nation's fifth favourite fizz; it is more popular than sparkling wines from Australia, the US and Germany combined.

The English sparkling wine collection in Waitrose recently moved from novelty to core range, with many products added; as well as own-label variants. At the beginning of May, the retailer reported a 158% increase in sales of English and Welsh wine compared to 2018, with

bumper harvests of 2018 hitting shelves.

England's wine tourism has also seen substantial growth, with groups of wineries in Surrey & Kent recently joining forces to champion their county's offering. Nine Kentish brands are working on the 'Wine Garden of England', the project aims to create a world-class wine trial and visitor experience. Chapel Down of Kent already welcome 60,000 people a year to their visitor centre alone and have just opened a London outpost for their spirit distillery. Over in Surrey, the 'Vineyards of the Surrey are celebrating their official launch on 8th and 9th June this year. Guests are invited to all five vineyards to explore wine trails, view live music, art and sculpture. The 'battle of Waterloo tasting' asks visitors to sample Surrey wines alongside Champagne. Combining brand strategy in this way produces the premium, rooted, craft and engaging experience that today's sparkling wine drinkers desire⁹.

One barrier to consumers purchasing English wine may be the price. The UK alcohol industry is one of the most heavily taxed in Europe, with British drinkers paying an extraordinary 68% of all wine duties collected by all 28 EU member states, despite accounting for only 11% of the population. Recent recognition and efforts to develop regionality means English wine is considered to match European wine in quality. With prospects of a weaker pound in the face of Brexit pushing down prices and tax changes bound to happen soon, English wine may be on the edge of a transformative growth cycle in its home market.



MOMENTS OF WONDER

Waste not, want yes. Chapel down, the English winemaker who supplied the sparkling wine at the royal weddings is using leftover grape skins to produce gin & vodka. This May, the brand launched Chapel Down Bacchus Gin & Tonic RTD (5.5%ABV), featuring the winery's gin made from the traditional English grape. Combining Britain's favourite spirit with the allure of English sparkling wine and convenience is a move set for success in the UK market.

MOMENTS OF WONDER

Last year Digby created a glass specifically for English sparkling wine. Designed so that the fizz can be swirled to unveil its aromas, the glass's curved top allows "each bubble to release layers of flavour". The glass also has a three-finger stem and low centre of gravity to protect against breakages. Having a specific glass highlights the specialism and terroir that held within the liquid.



MOMENTS OF WONDER

English sparkling wine brand, Nyetimber is set to launch a Secret Garden pop-up this May, taking over the Edwardian courtyard of London's Rosewoods hotel for the duration of the summer. Decorated with bright flowers, serene lighting, and vintage garden tools, the terrace evokes the bucolic idyll of the Nyetimber estate. The hotel will serve up Nyetimber's English sparkling wine range; classic cuvée, rosé and demi-sec in pretty little booths.

The sparkling wine moment

Despite ongoing efforts to make sparkling wine more accessible, the latest UK wine intelligence report shows it is still largely associated with social and formal occasions. Sparkling wine provides a simple yet effective way to elevate any special occasion and make it a little more glamorous. But despite associations with celebration not changing, the sparkling wine category is experiencing variability in occasions.

MOMENTS OF WONDER

This year, for the first time in the race's 172-year history, the grand national winner celebrated with English bubbly instead of French Champagne. Coates & Seely English sparkling wine was served after the brand signed a three-year deal with The Jockey Club. Racegoers were expected

to pop open a massive 8,000 bottles of fizz¹⁰. This is a fantastic new brand partnership which will establish a solid premium English sparkling wine occasion



Does size matter?

You've probably heard it before...but millennials are reducing their alcohol intake. This causes them to seek out smaller measures which allow consumption to be easily tracked. Single formats have seen fantastic success in the US market, and this appears to be spreading to the UK.

MOMENTS OF WONDER

Henkell-Trocken's 0.2l sparkling wine, Piccolo, has been a trademark since 1935; but 2019 marks their first ever international marketing campaign based around the small bottle. 'Piccolo on tour' hopes to drive extensive social media traffic; engaging influencers and consumers to promote the variability of drinking occasions where Piccolo fits just right. Consumers of Piccolo globally will be called on to post images of the drink with

a hashtag, with prizes awarded to participants. The campaign will run from May until August 2019 and will be localised to suit numerous countries worldwide with original promotional activities.



CAN the sparkling wine occasion evolve?

A stronger desire from consumers to drink bubbly on their own terms is causing consumers to actually prefer drinking sparkling wines in environments away from traditional restaurants or bars. They are looking for drinks options that carry enough excitement and convenience to keep up with modern life.

Traditionally, the sparkling wine occasion implies a need for a special environment and fancy glassware; but the disruptive canned bubbly movement is pushing back against this. After watching the craft beer movement switch from bottles to cans and huge success for canned wine in the US, many brands are establishing a canned wine offering in the UK.



MOMENTS OF WONDER

'The Uncommon' launched the world's first canned English wine last year. The brand describe that their business model includes partnerships with multiple thoughtful producers across the UK to ensure consistent high-quality fruit. Added CO2 freshens up the wine without making it overly fizzy or sweet. Enlisting the help of Spanish illustrator Yido to design the cans, the brand has secured an exclusive listing in Selfridges, where the 11.5% ABV sparkler retails for £4.99 per 250ml. The Bacchus expression is being joined by a Bubbly Rose (made from Pinot Noir/Pinot Meunier) this summer. Waitrose just announced plans stock both Uncommon cans, expanding the retailer's own-label range of canned wine ready for summer. The Uncommon explain that they make really good wine, which just happens to be in a can for sustainability and convenience reasons. 'The format is different, but the quality is right up there with any other fine European wine.' The brand aims to change customer's perception of wines in a can and reveal the potential for quality wine in alternative packaging.

Aldi, the discounter supermarket chain, started offering two sparkling wines in a can this April, costing only £1.69 for 200ml. The Castellore Pinot Grigio Frizzante tastes of peach, pear and lemon while Castellore Rosé Frizzante gives off the "summery smell of strawberries" and "scents of peach", Aldi said. The wines can be purchased from all stores across the country, making sparkling wine occasion much more accessible through knocking away context and price restrictions.

Cans are environmentally friendly as they're lighter than glass and 100% recyclable without material degradation. They are also cheap, provide superb protection, and can go where bottles dare not tread. Cans can be bought individually or combined in multipacks- providing easier portion control and fairer sharing. Drinking from a can may also be viewed as less pretentious and more fun. And, because they offer more surface area than a bottle label, cans provide an artist's pallet for creative branding. Canned wine may well become a future standard serve for evolving sparkling wine occasions.



WE WONDER

Wonderworks' opinion

Why is the sparkling wine category performing so well?

The different types of sparkling wines each have unique production materials and detailed methodologies, leaving plenty of information to be absorbed by (and therefore please) today's more conscious and discerning drinkers. Varieties are also authentically rooted in the history of different regional areas, bringing a real sense of terroir that today's global citizens crave.

Changing palates is another reason the category may be experiencing growth. Sparkling wines can be simple or complex but they all depend on the balance between acidity and sweetness. It is the bitter, acidic taste which keeps the wine crisp and provides necessary framework for ageing. A wine without this bitter taste would be like an alcoholic fizzy drink. English wines in particular have higher acidity than wines produced in other places in the world, having previously been criticised for it. Bitter tastes have proved a growing trend, evidenced by the current rise of vermouth and the Negroni cocktail.

Where is the sparkling wine category headed?

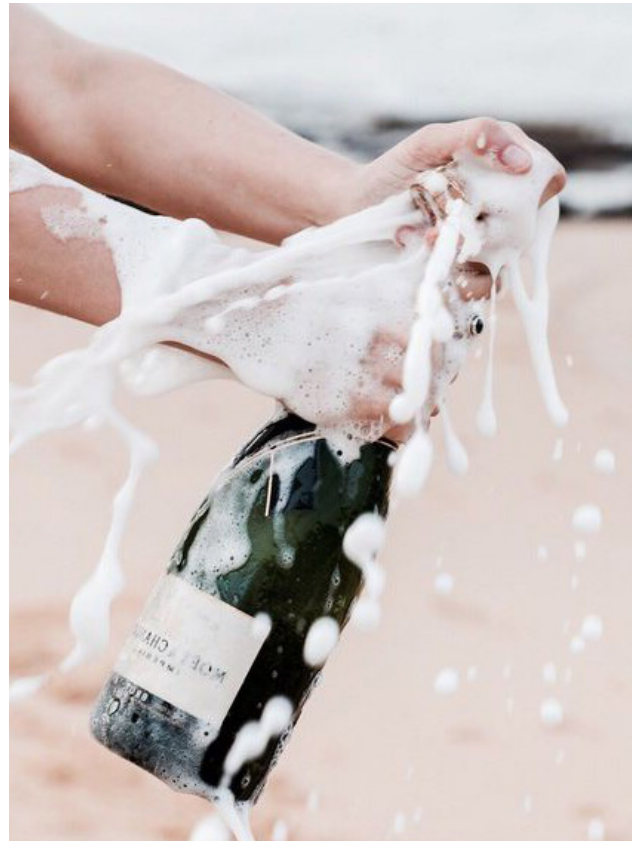
Despite selling nearly 1.1bn bottles of sparkling and still wine worth £6.6bn last year in the UK, according to Wine and Spirits Trade Association data, wine shops, supermarkets and off licences face tough market conditions. Looking to the future of retail, fusing together offline and online experiences is crucial for UK wine sellers to capitalise on the rising popularity of bubbly.

However, the growth of the sparkling wine category is unlikely to go flat any time soon. Brits have fallen in love with the fizzy drink which can lighten up any social occasion like no other drink.

The market for sparkling wine is showing signs of maturing – a growing number of brands and variants are looking to cater to increasingly specific consumer needs. For producers it spells more competition and fragmentation, but for consumers there is only upside: more choices than ever before.

The future of trade relationships is the only clear risk to the continued growth of the category. Any increase to import costs is likely to become a significant blow to the value segment, specifically to Prosecco brands.

Our pick for the next potential growth story is English sparkling wines. The once niche designation is rapidly coming of age and shows it can compete on the world stage at the highest level. Combined with hard work, more sunshine it is set to lead the category to new heights and beyond.



What should Marketer's watch out for?

Marketers would be prudent to learn from other premium drinks categories and start to look increasingly beyond basic point-of-sale activations to stand out. High quality social media presence and experiential tastings are likely to be crucial for accelerating brand growth going forwards.

Brand experiences this year will have to become even more creative to have their voices heard in an increasingly competitive market.

THEY WONDER

A voice from the trade

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James Robinson, Business Manager, Liberty Wines

What are some of the key trends in the sparkling wine category?

“First of all, the Prosecco boom has broken the sparkling wine category away from seasonality and celebratory drinking, with consumption being much more all year round rather than limited to summer and celebrations. The Prosecco category may well have plateaued, but I would not expect this giant to go anywhere soon. I would expect there to be significant focus by retailers on high quality own label Prosecco vs. brands trading on the category growth alone.

With producer cost increases and high taxation increasingly as factors, sparkling wine consumers are already adopting a ‘less but better’ approach. I would foresee a resurgence of demand for high quality grand marque Champagne, with £20 entry-level Champagnes coming increasingly under pressure.

The grand marque Champagne houses who will win over the next 3-5 years are those willing and able to invest time and effort to grow their brands in the local market. Global activation remains important but is reaching saturation via social media. Well-executed local activation and the quality of on-trade distribution will be key to which brands thrive or falter.”

How can sparkling wine brands succeed in retail?

“Be as bespoke as possible. There is a tendency, and occasionally a need, to have generic ‘retail’ solutions. However, co-creating solutions with retailers is now the way to win at point-of-purchase. Buyers are open to collaboration unlike any time before, and this opportunity should be seized by astute brands with a fine-tuned local strategy.”



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What does the future hold for local producers?

“The immediate future for English sparkling wine looks very bright indeed. On the back of an exceptional 2018 harvest, combined with Brexit uncertainty and a prevailing shift towards local produce, English sparkling wine is well placed to thrive.

I don’t expect an ‘explosion’ as distribution will be mainly in premium and prestige, which will further underline the quality of the category.

Critically, the category cause is being championed by premium retailers such as M&S and Waitrose. I would expect volume growth to be focused on the on-trade where English sparkling wine will become as omnipresent on wine lists as Champagne.

English sparkling wine will continue to grow in the prestige on-trade as the stature of this category continues to mature. Sustained investment from major houses will pay dividends over the years to come, increasingly so on a global stage.”



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